



JOHN MORRELL & CO

M. L. C. PROGRAM

(Morrell Ledger Contract)

WHO MAY PARTICIPATE

Producers who produce at least 1,500 head of market hogs per year, are in the Pork Quality Assurance Program (as or actively working to obtain Level III) and meet Morrell's other quality assurance standards and requirements may participate in this program. Morrell reserves the unconditional right to offer or deny the privilege to participate in this program to any producer.

HOW THE PROGRAM WORKS

A participating producer agrees to sell 100% of his production of market hogs to Morrell for the contract period that this program is in effect. During this period, the contract price for the producer's hogs will be not less than an established floor price of \$40.00/cwt. Morrell will maintain a separate ledger account reflecting Morrell's purchases of market hogs from the producer. At the beginning of the contract period, the producer's ledger account will have a balance of zero but at any time during the contract period, the account may have a positive or a negative balance.

Whenever the market price of live hogs is less than or equal to the floor price, Morrell will pay the producer based on the \$40.00/cwt. floor price, and will reduce the balance of the producer's ledger account by the difference, if any, between the market price and the floor price per hundred weight of delivered hogs. Conversely, whenever the market price of live hogs is greater than the floor price Morrell will first apply 100% of the difference between the market price and the floor price per hundred weight of delivered hogs to reduce or eliminate a negative balance, if any, in the producer's ledger account. If the ledger account does not have a negative balance (or as soon as the negative balance has been reduced to zero), Morrell will pay the balance of the market price to the producer, except that, whenever the balance of the market price payable to the producer (after reducing any negative balance in the producer's ledger account to zero) exceeds \$43.00/cwt., Morrell will first apply 20% of the difference between the market price and \$43.00/cwt. to build up a reserve (i.e., a positive balance) in the producer's ledger account. The positive balance in the producer's ledger account will never be allowed to exceed an amount equal to \$5.00 times the number of market hogs the producer has projected to produce over the contract period.

At the end of the contract period, if the producer's ledger account shows a positive balance, then Morrell will pay this amount to the producer in cash, without interest, within 30 days; or, if the producer's ledger account shows a negative balance, then the producer will pay this amount to Morrell in cash, without interest, within 30 days.